Whitney Hatch
Vice President
Regulatory Affairs

GTE Service Corporation

1850 M Street, N.W., Suite 1200
Washington, D.C. 20036-5801
202 463-5290
Fax: 202 463-5239

February 13, 1998

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
Washington, DC 20554

Re: *Ex Parte* - CC Docket No. 95-116 - Local Number Portability

Dear Ms. Salas:

This is to advise that GTE concurs in the ex parte filing in this matter made by Bell Atlantic on February 11, 1998.

To provide a fuller exegesis of cost recovery for local number portability as it pertains to GTE local exchange carriers, which operate in 54 study areas, attached is our position and recommendation. GTE would require an end user charge of 53¢ per month per line to recover its Type I and Type II costs over a five year period.

Please call me if I may provide further information.

Two copies of this notice are filed in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Sincerely,

Whitney Hatch

Attachment

C: Thomas Power
Jim Casserly
Paul Gallant
Kyle Dixon
Kevin Martin
Pat Donovan
Jay Atkinson
Chris Barnekov
Lloyd Collier
Neil Fried
Lenworth Smith
ITS

GTE Recommendations For LNP Cost Recovery

- 100% Federal solution, if based on a simple "rational" rate structure.
- End-User charge of up to $1.00 per line per month until the one-time LNP implementation costs are recovered.
- Recovery from all customers across the ILEC service territory (not limited to converted lines).
- Type 2 costs should be pooled across carriers in an area so that end-user charge is the same and competitively neutral. Each carrier recovers its own costs from the pool.
- Alternatively, if costs not pooled across carriers, GTE must be allowed to "pool" its customers across GTE ILEC states, like RBOCs do currently. Equivalent to using a GTE-wide cost study to set end-user charges in each tariff entity. Because LNP costs are dispersed unevenly geographically, significant price differences would occur otherwise, potentially harming rural customers.
- Same rates to residence and business customers. No complexity or delay in cost recovery based on whether CLECs have entered local markets.
- Each year's Type 1 expenses can be anticipated and are recovered in year incurred.
- Type 2 costs should recovered over 3 years. Any recovery deferred past the year incurred should earn a return on investment.
- Type 2 <u>expenses</u> (properly recognized in year incurred and representing 76% or more of total Type 2 costs) and Type 2 <u>capital</u> (less that 24% of total Type 2 costs) would both be amortized over 3 years. This is a reasonable compromise on length of recovery period give that such a large portion is expense.
- Alternatively, in a more simple approach, all of Type 1 and Type 2 costs could be recovered over the same time period. GTE recommends 3 years.

GTE's Recommendations For LNP Cost Recovery

The Federal Communications Commission (Commission) Staff has been considering its upcoming LNP cost recovery decision.[1] In this document, GTE presents its recommendations and data regarding various alternatives means of accomplishing LNP cost recovery.

GTE Position

The need for recovery of the costs associated with LNP is immediate.[2] The Commission should quickly establish a simple competitively neutral rate structure for LNP. GTE supports the combination of a flat-rated end-user surcharge and per transaction query charges.[3] Developmental and administrative costs should be recovered from the end-user charge. The incremental costs associated with the use of the network should be recovered from query charges.[4] Since number portability benefits all users of telecommunications services, it is appropriate for one-time LNP implementation costs to be recovered from all end-user telecommunications customers via a single end-user surcharge.

GTE is opposed to a rate structure that limits recovery to those customers and areas where "porting" is either occurring or has reached some threshold level. Small monthly charges -- up to some reasonable level, say $1.00 -- should be paid by all customers in an area. These charges should last several years, until the legislative mandate to allow for cost recovery of LNP is achieved. For example, an end-user charge of approximately $0.80 per line per month would allow GTE to recover its Type 1 and Type 2 costs of LNP implementation over approximately three years.[5] The attached charts show the level of the end user charge which would be required using 3-year and 5-year recovery periods.

---

[1] All references to LNP or Number Portability refer to Long Term Number Portability versus Currently Available Number Portability as defined in the First Report and Order and Further Notice of Proposed Rulemaking, CC Docket No. 95-116, released July 2, 1996.

[2] In 1997 and 1998, GTE will have incurred approximately $220 million of Type 1 and Type 2 costs for which rate recovery should be allowed. Only months before live porting is scheduled to begin, the rate structure for cost recovery is not in place.

[3] A rate structure that GTE supports (rates for queries, a basic service charge and non-recurring charges) was presented in Transmittal No. 2638, Southwestern Bell Telephone Company, Tariff FCC No. 73, filed June 6, 1997.

[4] Use of an end-user charge also has been contemplated by some parties as a means of recovering some ongoing query costs. GTE will not address that issue here.

[5] Currently GTE estimates that its total Type 1 and Type 2 LNP implementation cost will be approximately $530 million over the 1997 to 2001 time period. An end-user charge of $0.53 per line per month applied to approximately 18.3 million lines would raise approximately $116 million per year. Using a $0.53 end-user charge, cost recovery for Type 1 and Type 2 costs associated with service provider LNP could be accomplished in approximately 5 years. Alternatively, an end-user charge of $0.80 per line per month would accomplish recovery in approximately 3 years. (These GTE estimates are presented in the attached charts.) At the end of the recovery period (3 or 5 years), the end-user charge could be eliminated.

Basing cost recovery on only converted lines creates significant problems. GTE has isolated areas where it has been required to incur substantial LNP conversion costs, but where it expects to have few active CLEC competitors.[6] While establishing end-user charges on the basis of only converted lines may not be a significant problem for some ILECs[7], it is a massive problem for GTE and other carriers that will have a relatively small number of converted lines in an area where regulatory obligations dictate large LNP conversion costs.[8]

GTE supports the pooling of Type 2 costs. Pooling can assure that customers in different areas of the country are not faced with wildly different end-user charges for LNP. Without pooling and setting end-user rates based on converted lines only, the end-user rates could be forced to differ significantly in the more urban, densely-populated GTE ILEC states as compared to the more rural, less-densely populated GTE ILEC states.[9] Without some form of cost pooling, such disparate charges will not be avoided. Pooling of costs across carriers is the only means of ensuring competitive neutrality.

If the Commission does not establish pooling across carriers, at a minimum, GTE must be allowed to "pool" across its ILEC study areas for the limited purpose of computing the level of the LNP end-user charge that will be applicable to GTE ILEC customers.

GTE's responsibility is to provide the LNP capability so that competition can flourish. GTE has met and will continue to meet its LNP obligations. The Commission should not base it rate structure for LNP cost recovery on the pace with which other CLECs enter traditional ILEC markets. Recovery of LNP cost faithfully incurred by ILECs to promote competition must not be deferred into the future based on the fact that local exchange competition (business or residence) may not have occurred in a specific part of the United States. Basing cost recovery on competitive triggers would mean that GTE may have unrecovered costs based on the failures of other CLECs to enter local markets.

---

[6] See, First Memorandum Opinion and Order on Reconsideration, CC Docket No. 95-116, released March 11. 1997, paragraph 60: "We therefore conclude that LECs need only provide number portability within the 100 largest MSAs in switches for which another carrier has made a specific request for the provision of portability." Thus, GTE is not in control of where LNP must be implemented in our network.

[7] Some carriers establish tariff rates over a significantly large geographic region. For example, the Regional Bell Operating Companies set interstate access rates over groups of states that may number from five to nine or more in size. By contrast, due to reasons completely unrelated to LNP cost recovery, GTE sets its interstate rates for 54 different study areas. When the technology at issue, as in this case, involves regional data bases, geographically broad SS7 networks and software installed in switches, the problem of having few lines converted in a small geography is dramatically magnified.

[8] In the 28 states where GTE operates as an ILEC, the expected percent of lines converted this year ranges from highs of about 90% in certain states, to lows of 10% or less in other states. Use of converted lines only as the base of paying customers would cause the end-user rates in the more rural, low-density states to be high when compared to GTE's more urban, higher-density states, where LNP conversion rates will be greater.

[9] Moreover, this same approach yields calculations of significantly higher end-user charges per when computed on per-converted- line basis in certain of the GTE ILEC study areas.

Discussion of Various Alternatives

A. Jurisdictional Responsibility -- Alternatives

There are three alternatives for jurisdictional responsibility:

1) Totally federal – 100% interstate
2) Split interstate / state through the separations process
3) All state – 100% intrastate

A 100% federal solution is the proper alternative for a number of reasons.[10]

First, the Telecommunications Act of 1996 assigned the responsibility for designing LNP cost recovery to the FCC.[11] Section 251(e)(2) of the Act states that "the cost of establishing telecommunications numbering administration arrangements and number portability shall be borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission."

The relative rapid implementation schedule for service provider number portability requires that a cost recovery solution be in place when "porting" begins in the very near future. Thus, while the FCC could allow a portion of the LNP costs and revenues to be allocated to the intrastate jurisdiction, GTE supports a solution where the FCC establishes a rationale rate structure that can be easily and rapidly implemented.[12]

The FCC has the authority and responsibility to devise a competitively neutral LNP cost recovery program, even though state commissions may be involved in the administration of that program for state jurisdictional costs. The Act did not specify how cost recovery should be accomplished (other than to mandate that it occur and that it be competitively neutrality), and it did not restrict the FCC from being substantively prescriptive in defining the process.

---

[10] Regardless of whether the Commission adopts a 100% Federal LNP cost recovery solution for ILECs, the Commission must recognize the provisions of Section 332 of the Communications Act (47 U.S.C. 332) as it applies to Commercial Mobile Radio Service (CMRS) providers.

[11] In a similar fashion, the Telecommunications Act of 1996 assigned the responsibility for overseeing UNE pricing to the state jurisdictions. Thus, the FCC's responsibility to determine the LNP cost recovery solution is not at odds with the state commissions' pricing responsibilities elsewhere.

[12] GTE strongly supports the implementation of simple rate structure that accomplishes cost recovery in a timely fashion. By contrast, GTE is vehemently opposed to any rate structure that artificially distinguishes between business and residence customers and that delays implementation of broadly-based recovery mechanism by creating competitive triggers that would postpone beginning recovery of any Type 2 costs from residence customers into 1999 or beyond or extend the full recovery past the next 3 to 5 years, until, for example, well into the decade of the 2010's. Thus, the Commission must reject complex and lengthy schemes for rate recovery and adopt a more simple and immediate plan as described by GTE.

B. Recovery of Cost in Competitively Neutral Manner -- Alternatives

There are two primary alternatives for LNP cost recovery:

1) Pool costs, set the same rate(s) to customers across carriers within an area, and each carrier draw its own costs from the pool.
2) Each carrier would be responsible for charging rates to recover its own costs.

Cost pooling is necessary to ensure competitive neutrality.

Pooling of Type 2 costs is strongly preferable because it is the only means of achieving a competitively neutral pricing structure, while allowing each carrier to recover its own implementation costs. A large share of a carrier's costs of LNP implementation are incurred on a per-switch basis. Carriers operating in areas with relatively fewer lines per switch are faced with a higher LNP cost per customer (i.e., per line). Absent cost pooling, this would cause the LNP implementation costs to fall much more heavily on rural customers than on the customers in more densely populated areas. Such an imbalance would not be competitively neutral!

Thus, the need for pooling of Type 2 LNP costs is caused by the fact that many carriers, including GTE, have a relatively small number of lines per switch. The costs of LNP are more related to number of switches converted, than to number of lines subtending the switches. Importantly, in many suburban areas, it will often be the case that a carrier operating primarily from a relative densely populated service area will be competing head-to-head area with a carrier operating primarily from a less densely populated area.[13]

Without pooling of Type 2 costs, "an appreciable incremental cost advantage over another service provider, when competing for a specific subscriber" will occur – in violation of the Commission's first criteria for competitive neutrality.

The determination of competitive neutrality must be seen through the eyes of the customer. Customers will not be restricted in their choices among carriers with similar density characteristics, but will often see competition from a "less-dense", more rural carrier and a more "dense", more urban carrier. Because competition will occur "at the margins" of service territories, the differing characteristics of carriers must be an important concern.

---

[13]This is exactly the case with GTE and the other ILECs with which it is currently competing. An example is occurring today in Plano, Texas, where GTE and SWBT are competing head-to-head. In this case, absent cost pooling across carriers, customers could face one LNP end-user charge if they chose SWBT as their local exchange provider and another LNP end-user charge in the chose GTE as their local exchange provider. Thus, the customer would be receiving false pricing signals based on the way in which the regulatory costs of LNP are recovered. In this situation, competitive neutrality demands that customers should face the same end-user charge, regardless of their selection of local service providers.

LECs that operate in areas with a small number of lines per switch do and will agree with GTE that pooling of Type 2 costs is needed to ensure competitive neutrality. Though recently absent from active debate in Commission's LNP cost recovery proceedings, many of the LECs that retain exemptions from the Section 251 requirement related to LNP have areas with a relatively smaller number of lines per switch will support cost pooling for the recovery of LNP implementation costs as they are confronted with this issue.

GTE has been raising sincere concerns about the implications of the smaller number of lines per switch in rural and suburban areas as compared to more densely-populated contiguous urban areas. This perspective is not a singular view. There are many ILECs in situations similar to GTE on this issue, even though some may not have been vocal before the Commission. Thus, GTE's situation presents the Commission with a precursor to positions that will again need to be addressed when LECs operating in other "rural" study areas eventually are mandated to convert to LNP later in the process.

Alternative to Pooling Across Carriers

Alternatively, if costs not pooled across carriers, GTE must be allowed to "pool" its costs within its own operations across the GTE ILEC states. This would be equivalent to permitting GTE to use a GTE-wide cost study to set end-user charges in each of its tariff entity. Thus, allowing GTE to compute a single LNP end-user charge across all of its 54 study areas in its 28 ILEC states eliminates a portion of the pricing distortion that customers might see otherwise. This flexibility, if granted to GTE, would be equivalent to the RBOCs' Current ability to set interstate access rates (and therefore LNP end-user charges) across a fairly large number of states in their service areas.

The need for this alternative is caused specifically because LNP technology is being deployed within the SS7 network and to switches based on bona fide requests, which causes the geographic location of costs to be uneven. Because LNP costs are dispersed unevenly geographically, significant price differences across GTE's service territories would occur otherwise, potentially harming rural customers. Thus, GTE should be allowed to compute a GTE-ILEC-wide end-user charge and charge that same rate in each of its 28 ILEC states.

C. Rate Structure – Alternatives and Issues

There are three basic rate structures alternatives[14]:

1) End-user charges paid by all customers
2) End-user charges paid only by customers located in areas where LNP has been implemented
3) Access charges

Also, there has been some discussion that carriers could begin charging business customers separately-determined business LNP end-user rates as soon as LNP is available in an area. This is apparently based on the belief that business customers will be targeted by competitors first and, therefore, the benefits of LNP (and local competition, in general) accrue earlier to business customers. Further, a suggestion has surfaced that residence customers would begin paying an LNP end-user charge only when a threshold level of porting of residence customers local numbers has occurred within an area. This approach is assumed to require some form of cost allocation to delineate "business" from "residence" LNP costs.

The benefits of service provider LNP accrue to all customers.

LNP promotes competition and competition benefits all customers. The Commission and Congress have both recognized that all carriers and all customers benefit from local number portability:

> As we concluded in the above Report and Order, and as Congress has determined in the 1996 Act, number portability will benefit all telecommunications carriers and users of telecommunications services through increased competition.[15]

The Telecommunications Act of 1996 mandated that each local exchange carrier has "the duty to provide, to the extent technically feasible, number portability in accordance with the requirements prescribed by the Commission."[16] The specific aspect of local number portability (LNP) of concern in this proceeding is service provider portability.

This LNP capability is a unique issue. LNP is neither a completely stand-alone service that will be utilized extensively apart from the use of other telecommunications services, nor is it simply an "invisible" network upgrade that has no observable benefits to

---

[14] The Commission has a rapidly accelerated tariff investigation now underway to deal with the rate structure for queries and non-recurring charges. This investigation is presumably targeted for completion so that carriers can file tariffs that will go into effect before LNP posting begins in the very near future.
[15] 47 U.S.C. Section 153 (30) 251 (b)(2), 251 (e)(2); and Senate Report at 19-20; House report at 72.
[16] 47 U.S.C. 251(b)(2) and recognizing the rural telephone company exemption in 251(f).

purchasers of certain telecommunications services. Because the benefits of competition, of which LNP is a part, are broadly received, it would be incorrect to restrict the LNP end-user charge to only those customers that have experienced a given level of competitive activity in a certain geographic area.

Service provider LNP conveys benefits to a broad base of customers. For example, when a customer calls up a party that has change local exchange providers, the calling party has the benefit of not having to know or learn a new telephone number solely because the called party has changed providers. Thus, both calling and called parties benefit from service provider local number portability. When a household changes providers, all of the friends, relatives, acquaintances and business relations of that household benefit when LNP works. LNP enable call completion in the new competitive environment. Neither the residence nor the business relations of the household need to change records or habits when their relations change local exchange providers.

An end-user charge is the most appropriate means of recovering LNP implementation costs. As benefits flow to all customers, an end-user charge is an efficient means of reaching all customers. Recovery through access charges would cause the charge to borne almost exclusively by interexchange carriers, while the benefits of LNP are much more broadly received than just by IXCs. [17]

Benefits of a Broad Base

The broader the base of customers to which the LNP rate applies, the lower the rate will be and the sooner it will phase out. Because all customers benefit from LNP, not just the customers in the areas where numbers are being ported, it is preferable to establish the end-user charge on all lines, not just on converted lines. This has the effect of lowering the overall level of the rate and/or shortening the necessary recovery period.

For GTE, basing the charge on all lines versus converted lines has two specific benefits: (1) the end-user charge is cut substantially – using a GTE composite and GTE's expected 1998 bona fide requests, the end-user charge essentially is cut in half; and (2) the disparity between various geographic areas is substantially lessened.

[17] Nevertheless, as N-1 carriers, IXCs will be required to bear their own appropriate LNP costs, or pay carriers performing queries on their behalf.

Costs Deferred Versus Recognized -- Alternatives

There three alternatives regarding the recognition of costs in the computation of an end-user charge that affect the length of the cost recovery period:

1) Recognize all costs in year incurred
2) Recognize only a portion of actually incurred costs and defer the remainder
3) Defer all costs

There has been discussion that if some costs are deferred past the year in which they are incurred, the carrier would be allowed to earn a return on all deferred costs. The deferred costs not reflected when incurred would have to be brought into the current year charges over some time period. The has been discussion that deferred expenses could be brought into the end-user charge computation ratably over the remaining life of some associated investment. There is evidently an impression is that the record in this or another proceeding could supports a recovery period of about 9 to 13 years.

A recovery period of 3 to 5 years is a reasonable compromise.

GTE supports a recovery period of one year for Type 1 costs and three years for Type 2 costs as a reasonable compromise. An even simpler means of accomplishing this LNP cost recovery would be to set the level of the end-user charge at the same level for the duration of the recovery period (either three years or five years).

In determining the length of the recovery, it is important to recognize that the lion's share of LNP implementation costs are expenses that should normally be reflected in prices to customers during the year in which the costs were incurred, i.e., a recovery period of one year, with no lag. Thus, GTE strongly opposes any recovery period of as long as 9 to 13 years as much too long.

Approximately 73% of GTE's LNP implementation costs are expenses that should properly be recognized in the year incurred. All Type 1 costs, which represent 5% to 10% of the total of Type 1 and Type 2 costs, are 100% expense and should be recovered in the year incurred. Type 1 expenses are determined by the Limited Liability Corporations (LLCs) and will be allocated directly to telecommunications providers on a competitively neutral basis. [18] The Commission should prescribe the competitively neutral allocation method for Type 1 expenses. Because these Type 1 expenses can be anticipated in advance, they can and should actually be recovered in the year incurred.

[18] Because they represent contracted expenses, Type 1 expenses can be estimated in advance with a fairly high degree of accuracy.

Type 2 costs are about 70% or more expenses, with about 30% or less being capital.[19] The majority of Type 2 costs are expenses for software upgrades that will have a useful life of about one year (and at the very most three years). With the pace of changes expected in the industry, the current LRN software will require replacement as future enhancements are required. LNP is a rapidly evolving concept, with new software releases coming on the heals of current software. None of the Type 2 costs will have an economic life as long as 9 to 13 years. Thus, any suggestion that recovery of Type 2 costs occur over a period as long as 9 to 13 years is inappropriate.

Unit(s) of Geography

Some parties have suggested using Metropolitan Statistical Areas (MSAs) as the unit of geography for administering LNP rates. MSAs are made up of individual counties or townships. None of the records for GTE's ILEC operations are administered by MSA, county or townships.[20] To be able to effectively implement an LNP rate structure without causing costly and lengthy delays for modifications to internal billing and other systems, GTE must be able to use a unit of geography consistent with its internal systems. GTE is strongly opposed to any suggestion that ILECs utilizing MSAs as the unit of geography for determining when billing for the LNP end-user charge should commence.

Prescriptive measures are not necessary or useful in this area. ILECs must have a rate structure that allows to cost-effectively establish rate elements. GTE recommends that the units of geography used be determined by the carriers establishing the charges. Based on the situations facing it, GTE strongly prefers that a study area be the smallest unit of geography mandated by the Commission for an ILEC.[21] Also, an ILEC should be able to choose to implement an LNP rate structure for a geography smaller than a study area, if needed.

---

[19] GTE recognizes that the American Institute of Certified Public Accountants (AICPA) has indicated that internal-use software costs should be capitalized, but this indication is not a rationale for a long recovery period of a majority of LNP costs. The AICPA's indication was contained in its "Statement of Position (SOP) on Accounting Costs of Computer Software Developed or Obtained for Internal Use," dated November 17, 1997. The SOP defines internal-use software as software acquired, internally developed or modified solely to meet the entity's internal needs and during the software's development of modification, no plan exists or is being developed to market the software externally. These capitalized costs are to be amortized over the estimated useful life of the software in a systematic and rational manner. Based on GTE's costs incurred to date, these costs would represent only about 0.3% of the capital costs associated with LNP implementation. Since expenses represent about 77% of GTE's Type 1 and Type 2 costs, with capital representing less than 23%, this SOP affects less than 0.1% of GTE's LNP costs. Thus, the AICPA position statement cannot be used to justify capitalizing a large share of LNP costs.

[20] By contrast, within GTE's wireless operations, certain records are maintained on market-specific basis that provides some correspondence to certain MSAs. However, prescription of rate structure for wireless carriers is not the subject of the instant -- or any other -- proceeding.

[21] Wireless carriers and CLECs will undoubtedly use their own definitions of geography for any LNP cost recovery rate elements they choose, consistent with their own markets, as the need arises.

GTE does not have lower cost LNP implementation alternative available to it.

GTE has selected the most cost effective means of fulfilling its LNP mandated responsibilities. ILECs (GTE and other alike) could have elected to try to purchase LNP capabilities from a third-party vendor. However, such an option was not available at the inception of the LNP deployment planning because no vendor that could provide LNP alternatives existed when this whole process began. The vendors of LNP capabilities that are now negotiating for position are only in selected areas of the country, and are a fairly new eventuality. It would have been much more expensive for GTE to purchase LNP capabilities from an outside party than to acquire the additional capability in its existing SS7 network. Roughly 80% of GTE's cost of LNP implementation would have been required whether GTE made the business decision to perform the "database dip" on individual calls or not. Had GTE decided not to "dip" calls, GTE would have incurred the additional costs of huge numbers of LNP queries that GTE now plans to handle itself, a result more expensive that performing the queries internally. Also, contracting from outside of GTE would have provided little, if any, assurance that the volume of queries that GTE expects on its SS7 network[22] could have been handled in the time frames specified by the Commission's mandates.

[22] LNP is expected to cause a 6- to 7-fold increase in the current volume of queries on GTE's SS7 network. This large volume of queries will be specifically due the mandated provision of service provider LNP capabilities. The expanded capacity required in the SS7 is not a general network upgrade in the sense used in the Cost Recovery NPRM to distinguish Type 3 general network upgrade costs from Type 1 and Type 2 costs.

GTE Local Number Portability
Total Service Provider Portability Costs and Recovery

Costs Incurred:	1997	1998	1999	2000	2001	2002	2003	2004	Total
Type I Costs	31,206	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	35,031,206
Type II Costs	71,430,330	147,874,468	102,498,000	89,203,000	83,288,000				494,293,798
Total Type I and Type II Costs	71,461,536	152,874,468	107,498,000	94,203,000	88,288,000	5,000,000	5,000,000	5,000,000	529,325,004
Net Present Value @ 3/31/98	79,500,959	141,280,056	89,298,932	70,341,333	59,258,072	3,016,587	2,711,539	2,437,338	447,844,816

Recovery Commencing April 1, 1998:

Monthly End User Charge -- 3 Year Recovery Period	**$0.80**
Monthly End User Charge -- 5 Year Recovery Period	**$0.53**

No. of Months (3 Year Recovery)		9	12	12	3				36
No. of Months (5 Year Reocvery)		9	12	12	12	12	3		60
Annual Revenues - 3 Year Recovery	0	131,827,025	175,769,366	175,769,366	43,942,342	0	0	0	527,308,099
Cumulative Revenues	0	131,827,025	307,596,391	483,365,758	527,308,099	527,308,099	527,308,099	527,308,099	527,308,099
Cumulative Costs Incurred	71,461,536	224,336,004	331,834,004	426,037,004	514,325,004	519,325,004	524,325,004	529,325,004	529,325,004
(Under) / Over Costs Incurred - Cumulative	(71,461,536)	(92,508,979)	(24,237,613)	57,328,754	12,983,095	7,983,095	2,983,095	(2,016,905)	**(2,016,905)**

Approximate Decrease in Cost to Customers Due to Recovery Period

Annual Revenues - 5 Year Recovery	0	87,335,404	116,447,205	116,447,205	116,447,205	116,447,205	29,111,801	0	582,236,026
Cumulative Revenues	0	87,335,404	203,782,609	320,229,814	436,677,020	553,124,225	582,236,026	582,236,026	582,236,026
Cumulative Costs Incurred	71,461,536	224,336,004	331,834,004	426,037,004	514,325,004	519,325,004	524,325,004	529,325,004	529,325,004
(Under) / Over Costs Incurred - Cumulative	(71,461,536)	(137,000,600)	(128,051,395)	(105,807,190)	(77,647,984)	33,799,221	57,911,022	52,911,022	**52,911,022**

Approximate Increase in Cost to Customers Due to Recovery Period

Expanatory Notes:

- Both alternatives include carrying charges (return on investment) on expense and capital until recovered.
- The shorter recovery period, the less consumers will have to pay in the long run.
- Based on total access lines of 18.3 million.

Prepared by GTE 2/13/98

GTE Local Number Portability
Total Service Provider Portability Costs and Recovery

Costs Incurred:	1997	1998	1999	2000	2001	2002	2003	2004	Total
Type I Costs	31,206	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	35,031,206
Type II Costs	71,430,330	147,874,468	102,498,000	89,203,000	83,288,000				494,293,798
Total Type I and Type II Costs	71,461,536	152,874,468	107,498,000	94,203,000	88,288,000	5,000,000	5,000,000	5,000,000	529,325,004
Net Present Value @ 12/31/98	88,444,817	170,072,846	96,627,416	76,114,026	64,121,197	3,264,149	2,934,066	2,637,363	504,215,879

Recovery Commencing January 1, 1999:

Monthly End-User Charge -- 3 Year Recover Period			**$0.90**						
Monthly End-User Charge -- 5 Year Recover Period			**$0.60**						
No. of Months (3 Year Recovery)		0	12	12	12				36
No. of Months (5 Year Reocvery)		0	12	12	12	12	12		60
Annual Revenues - 3 Year Recovery	0	0	197,740,537	197,740,537	197,740,537	0	0	0	593,221,612
Cumulative Revenues	0	0	197,740,537	395,481,074	593,221,612	593,221,612	593,221,612	593,221,612	593,221,612
Cumulative Costs Incurred	71,461,536	224,336,004	331,834,004	426,037,004	514,325,004	519,325,004	524,325,004	529,325,004	529,325,004
(Under) / Over Costs Incurred - Cumulati	(71,461,536)	(224,336,004)	(134,093,467)	(30,555,930)	78,896,608	73,896,608	68,896,608	63,896,608	**63,896,608**

Approximate Increase in Cost to Customers Due to Recovery Period

Annual Revenues - 5 Year Recovery	0	0	131,827,025	131,827,025	131,827,025	131,827,025	131,827,025	0	659,135,124
Cumulative Revenues	0	0	131,827,025	263,654,050	395,481,074	527,308,099	659,135,124	659,135,124	659,135,124
Cumulative Costs Incurred	71,461,536	224,336,004	331,834,004	426,037,004	514,325,004	519,325,004	524,325,004	529,325,004	529,325,004
(Under) / Over Costs Incurred - Cumulati	(71,461,536)	(224,336,004)	(200,006,979)	(162,382,954)	(118,843,930)	7,983,095	134,810,120	129,810,120	**129,810,120**

Approximate Increase in Cost to Customers Due to Recovery Period

Explanatory Notes:

- Both alternatives include carrying charges (return on investment) on expense and capital until recovered.
- The shorter recovery period, the less consumers will have to pay in the long run.
- Based on total access lines of 18.3 million.

Prepared by GTE 2/13/98

GTE Local Number Portability
Total Service Provider Portability Costs

	1997	1998	1999	2000	2001	1997 - 2001 Total
Expense						
Type I	31,206	5,000,000	5,000,000	5,000,000	5,000,000	20,031,206
Type II	26,319,964	127,251,468	84,649,000	69,918,000	69,431,000	377,569,432
Total Type I and Type II	26,351,170	132,251,468	89,649,000	74,918,000	74,431,000	397,600,638
Capital						
Type I	0	0	0	0		0
Type II	45,110,366	20,623,000	17,849,000	19,285,000	13,857,000	116,724,366
Total Type I and Type II	45,110,366	20,623,000	17,849,000	19,285,000	13,857,000	116,724,366
Total Type I and Type II Costs	71,461,536	152,874,468	107,498,000	94,203,000	88,288,000	514,325,004
Expense as a Share of Total Costs						
Type I Expense as % of Total Type I Costs	100.00%	100.00%	100.00%	100.00%	100.00%	**100.00%**
Type II Expense as % of Total Type II Costs	36.85%	86.05%	82.59%	78.38%	83.36%	**76.39%**
Total Type I and Type II Expense as % of Total Type I and Type II Costs	36.87%	86.51%	83.40%	79.53%	84.30%	**77.31%**

Prepared by GTE 2/13/98

GTE Local Number Portability
Total Service Provider Portability Costs

	1997	1998	1999	2000	2001	Total
Expense						
Type I	31,206	5,000,000	5,000,000	5,000,000	5,000,000	20,031,206
Type II	26,319,964	127,251,468	84,649,000	69,918,000	69,431,000	377,569,432
Total Type I and Type II	26,351,170	132,251,468	89,649,000	74,918,000	74,431,000	397,600,638
Capital						
Type I	0	0	0	0	0	0
Type II	45,110,366	20,623,000	17,849,000	19,285,000	13,857,000	116,724,366
Total Capital	45,110,366	20,623,000	17,849,000	19,285,000	13,857,000	116,724,366
Total Type I and Type II Costs	71,461,536	152,874,468	107,498,000	94,203,000	88,288,000	514,325,004
Type I Expense as % of Total Type 1	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Type I Expense as % of Type I and Cat 2 Expense	0.12%	3.78%	5.58%	6.67%	6.72%	5.04%
Type I Expense as % of Total Type I and Type II Costs	0.04%	3.27%	4.65%	5.31%	5.66%	3.89%
Type I Expense as % of Total Expense	0.12%	3.78%	5.58%	6.67%	6.72%	5.04%
Type I Expense as % of Total Expense and Capital	0.04%	3.27%	4.65%	5.31%	5.66%	3.89%
Type II Expense as % of Total Type 2	36.85%	86.05%	82.59%	78.38%	83.36%	76.39%
Type II Expense as % of Type I and Type II Expense	99.88%	96.22%	94.42%	93.33%	93.28%	94.96%
Type II Expense as % of Total Type I and Type II Costs	36.83%	83.24%	78.74%	74.22%	78.64%	73.41%
Type II Expense as % of Total Expense	99.88%	96.22%	94.42%	93.33%	93.28%	94.96%
Type II Expense as % of Total Expense and Capital	36.83%	83.24%	78.74%	74.22%	78.64%	73.41%
Type II Capital as % of Total Type 2	63.15%	13.95%	17.41%	21.62%	16.64%	23.61%
Type II Capital as % of Total Capital	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Type II Capital as % of Total Expense and Capital	63.13%	13.49%	16.60%	20.47%	15.70%	22.69%
Total Type I and Type II Expense as % of Total Type I and Type II	36.87%	86.51%	83.40%	79.53%	84.30%	77.31%